

97-84253-30

Groom, Wallace P.

Currency needs of
commerce

New York

1873

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

General Groom, Wallace P.
Library Currency needs of commerce. National
332 paper money, interchangeable with
Z government bonds, advocated. Lecture
v.14 by Wallace P. Groom. New York, 1873.
-14 p. - 22 cm. New York, New York
Mercantile Journal Co, 1873. 14 p. 22 cm.
No. 5 of a volume of pamphlets.

"Supplement to the New York
Mercantile Journal, April 19, 1873."

1. Paper money--United States. I.
Title.

uc-main
A000245
S

820702
/KEN

820702 NNC
A* 82-B27979
CA76-653

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 11-20-97

INITIALS: JP

TRACKING #: 29903

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

772
10
5
Supplement to the *NEW YORK MERCANTILE JOURNAL*, April 19, 1873.

CURRENCY NEEDS

OF

COMMERCE.

NATIONAL PAPER MONEY, INTERCHANGEABLE WITH
GOVERNMENT BONDS, ADVOCATED.

LECTURE

BY

WALLACE P. GROOM.

NEW YORK.

1878.

A WEIGHTY REASON.

A weighty reason why all business men should patronize the publications of THE NEW YORK MERCANTILE JOURNAL CO.,—beyond obtaining a knowledge of current events which have DIRECT reference to commercial and financial affairs,—will be readily appreciated upon a moment's reflection. It may be safely said that the plan of management of the currency of the nation, advocated by these publications, (viz.: The New York Mercantile Journal, The Dry Goods Journal, The Druggists' Journal, The Hardware Price-Current, and The Grocers' Price-Current,) when adopted (merely a question of time), will remove ALL LIABILITY TO FINANCIAL PANICS, such as, in years past, have so seriously disturbed the entire industry of the country and entailed such fearful loss upon all. The most memorable of these occurred in 1837 and 1857. The loss to the nation through non-employment of labor (for a twelve-month only) caused by the panic of 1857, is variously estimated at from \$1,500,000,000 to \$2,000,000,000 which, if distributed among the merchants, would average THREE THOUSAND DOLLARS EACH, if we take only the smallest sum—\$1,500,000,000—and estimate the number of merchants at 500,000, or one in eighty of our population. With these facts in mind is it not worth the while of ALL TO WORK EARNESTLY TO AVERT SUCH DISASTERS IN FUTURE?

SALT A NECESSITY—WHAT IS ECONOMY?

Since Salt is not only necessary to health, but life itself, any man who would entirely dispense with its use, in order to reduce his expenses from one hundred dollars to ninety-nine dollars and ninety-five cents per month, would no doubt be considered eccentric, to say the least. What, then, ought one to think of the merchant who—because business is dull and money scarce—cuts off his Commercial and Financial Newspaper; the Salt of his business affairs! The man who JUDICIOUSLY economises is wise, but when he allows himself to withhold his seed-corn from the earth, with a view of hoarding it, he ——— makes a mistake.

Currency Needs of Commerce.

NATIONAL PAPER MONEY, Interchangeable with Government Bonds, advocated.—Lecture by Mr. Wallace P. Groom.

At the request of many of the prominent citizens of New York, a lecture was delivered upon the above subject by Mr. Wallace P. Groom, editor of THE NEW YORK MERCANTILE JOURNAL, on Tuesday Evening, December 17th, at the Hall of the Young Men's Christian Association. When this lecture was first proposed it was expected that Horace Greeley would preside; but Providence having ordered this otherwise, the chair was occupied by Elihu A. Jones, Esq., President of the National Life Insurance Company. Mr. Groom, being introduced, said:

MR. CHAIRMAN, LADIES AND GENTLEMEN:

It is not too much to say that there is nothing else of a secular character of so great importance to the masses as the securing of a healthy condition of the circulating medium; for this is the life blood of commerce. The currency question has not only been sadly misunderstood, but its discussion, from some inexplicable reason, is looked upon by many as a comparative waste of time. We trust, however, that we may be able to throw some light upon the subject, and to so portray its importance as to obtain your closest attention.

And may we not ask you kindly, yet most earnestly, to lay aside for a brief space the prejudices which you may have imbibed, unawares, in relation to the Currency Needs of Commerce, that we may the more easily come to understand the methods whereby those needs can be most readily and surely met. Most people are ready to say that they are open to conviction, claiming that their minds are free from bias relative to this or almost any other matter that they may be asked to consider. In thus believing, however, they at least deceive themselves. How many persons do we know that cannot, in fact, whatever be their pretence, give an intelligent reason why they united with the Episcopal, Presbyterian

or Methodist, in preference to some other orthodox church. The truth is, in thousands of cases, they are simply following in the footsteps of fathers and mothers before them, who walked with the church to which they now belong; and they grew up in it. And in political matters is it not almost universally the case, as the fathers voted so votes the sons? All this is natural, and we like to see the young reverence the views and feelings of their parents and others of maturer years, provided this apparent parrot-like imitation does not come of thoughtlessness.

We hold that each person is individually responsible for the soundness of his opinions; and we confess that there is much to admire in the inquisitive disposition of the little boy who was told the first day he went to school that the name of a certain character—the first letter of the alphabet—was A. Doubting the propriety of believing the statement without a good reason being assigned, he asked the teacher, somewhat to her annoyance, how she knew that A was the right name. When told—in the place of a proper explanation—that his teacher's teacher told her so, he promptly asked how teacher No. 2 knew, and was not satisfied on being informed that teacher No. 3 had told her. He therefore pressed the question far enough to be told that teacher about

No. 8 was taught to call it A by teacher No. 9; and then, perhaps a little hesitantly, said—"How did that teacher know that her teacher didn't tell—mistaken?"

But, in all seriousness, it is a high time that we think for ourselves, making good use of the experience of those who have gone over the field before us. It is sad to know, but it is nevertheless true, that our every thought is warped more or less by prejudice. It is well, however, that all men are somewhat inclined to hold on to old theories, habits and customs, but it is a great misfortune when they become so wedded to them that they are not only made almost totally blind to the onward movement of civilization, but become bigoted, and hence, violent opposers of progress.

Prejudice is the great enemy of truth—the chief obstacle to science and philosophy; a veil which clouds perception; a moral narcotic which stupefies conscience; the parent of intolerance and bigotry. Then let us, for a brief space, so far as possible, lay aside our prejudices and reason together upon the question before us: "The Currency Needs of Commerce." And in considering this subject, let not candid and frank utterances offend, but let us all endeavor to search out the truth, grasp it firmly, and brand the false theories which abound, so that others less favored with opportunities for research may receive benefit from our labors.

Some lady present may say to herself, this matter does not concern me; it is only important to men who attend to the more active business affairs of life. This is a great mistake. Every man, woman and child has a deep and abiding interest in this matter, as we trust all will be ready to acknowledge.

It is necessary, in order to make any genuine progress in the examination of this subject, to have a fair understanding of what money or currency really is; what its functions are; and, also, where the power to make a legal tender lies. This brings us down to the base line of one of the most important and yet one of the most sadly-neglected of sciences, known as Political Economy. Unfortunately for the country, the great mass of the people can scarcely be said to have even a faint idea of what it teaches.

With us government is made up of individuals and communities, formed into townships, counties, States, and a Union of States under a Constitution, which declares that no State shall "emit bills of credit," the right being reserved to the General Government, whose duty it is to coin money—i. e., stamp or print—and "fix the value thereof." Government, then, is, in reality, a huge, purely mutual, insurance company, in which every male citizen of lawful age is a trustee, and all persons within its jurisdiction are insured, and are in some manner compelled to pay for the benefits of such insurance. All have, therefore, a direct interest in an economical management of government affairs, being jointly responsible for the discharge of all its liabilities.

Money, or currency, is an instrument of commerce without which it would be necessary to make all distribution of products through the old and exceedingly awkward and expensive process of barter. Currency does not, in the slightest degree, depend upon the intrinsic value of the material of which it is made. In fact, it ought not to have any value whatever other than that of a mortgage, which our legal tender of to-day really is, covering every inch of ground and all property within the limits of the United States, and which may also be said to be endorsed by every man, woman and child, thus even covering future earnings.

Then, we keep in mind that no legal tender currency can be issued, except by the General Government, and that its issues can only be made a legal tender within its boundaries, whether its declarations be printed upon gold, silver, copper, or paper, we shall not be very liable to get far astray.

It is claimed by some, that Government has no right to issue paper money; that it is unconstitutional. Our Supreme Court has decided that question, and most satisfactorily. It is the bounden duty of Congress to coin money—i. e., print or stamp it—and to "fix the value thereof," and with the least possible cost to the people.

For the proper development of a healthy commerce, a currency that shall be uniform in purchasing power, elastic in volume, conforming to the requirements of trade at the various seasons of the year, is a positive necessity. It should not be over-abundant when trade is dull during the extreme weather of both Summer and Winter, and yet it should be sufficient, when all the machinery of commerce is most fully employed, as in the Spring and Fall, especially the latter, when the crops of the South and West are coming upon the market, and the products of foreign countries, and the manufactures of the North and East are in the greatest demand. Secretary Boutwell, in his annual report, just submitted, among other things, good, bad, and indifferent, very correctly says:

"There is a necessary every Autumn for moving the harvest without delay from the South and West to the seaboard, that they may be in hand for export and consumption as wanted. This work should be done in the season before the lakes, rivers and canals are closed, and yet it cannot be done without the use of large amounts of currency."

In the Summer months funds accumulate at the centres, but the renewal of business in August and September gives employment for large sums, and leaves little or nothing for forwarding the crops in October and November. Nor would this difficulty be obviated by a permanent increase in interest, or a permanent reduction of the volume of currency. The difficulty is due to the natural order of things, and increases with the prosperity of the country, as shown in the abundance of its harvests. The crops cannot be moved generally by the aid of bank bal-

ances, checks, and letters of credit, but only by bank notes and United States notes paid at once to the producers. This money finds its way speedily into the channels of trade and to the commercial centres, but if it be allowed to remain for general use after the season for its issue has passed, the value of currency would be decreased permanently, and the year following the same process would be repeated, with the same results, and thus would the country depart more and more widely from the policy of resumption. *The problem is to find a way of increasing the currency for moving the crops, and diminishing it at once when that work is done."*

It will be observed that the Secretary of the Treasury is evidently growing up to a better appreciation of the situation, but as yet he only sees "men as trees walking." In other portions of his report he has so commingled legal tender notes, national bank notes and gold, (we give them in the order of their merit), that we cannot quote at any length from it, without occupying too much time in explaining wherein we dissent from his views, notwithstanding they are now much more nearly correct than formerly.

The questions that naturally arise in this discussion are,—1st. Have we a currency at the present time that fully meets the requirements of commerce? 2nd. Have we ever had a perfect currency? 3rd. Is it possible to coin a perfect currency out of gold, silver, nickel, copper, zinc, lead, or other merchandise? The answer to these questions is an emphatic NO. Then comes the inquiry: Can a perfect currency be obtained? To this we promptly say, Yes. A currency can be nearly perfect as anything human can well be, can most easily be secured through a proper management of the Treasury department; not at the dictation of the Secretary, but by the people's operations in their individual capacity. The process is very simple. Let the Government coin, i. e., stamp or print money of paper, the promise being only that such money shall be a legal tender for all dues, both public and private, and exchangeable at the option of the holder with government bonds bearing a fixed rate of interest, say three and sixty-five one-hundredths per cent. per annum,—one cent per day on one hundred dollars,—and bonds being payable demand, including interest in the same currency.

Secretary Boutwell says, as we have before stated, "The problem is to find a way of increasing the currency for moving the crops and diminishing it at once when that work is done." This reciprocal conversion of Government bonds bearing interest at a fixed rate, with legal tender notes at the option, not of the Government—but of the individual holder, it is the only method—will solve the problem beyond a doubt, and that to the entire and permanent satisfaction of all concerned. Some men, however, who are opposed to the plan, will probably say, that this plan of issuing paper money appears very well as a theory, but their prejudices in favor of gold, which they un-

wisely deem a standard of value, are so strong that they will not admit that our commercial affairs can be carried on without it. They, in the first place, fall into a very serious error in thinking that our trade with foreign countries bears a vastly more important relation to our interior commerce than it really does; and again, that our gold coin is necessary to settle the balance of trade, so called. They jump at conclusions, or accept the statement of others without thought. They pass from day to day in the old ruts without asking why this or why that. Strange as it may appear, you will find if you choose to make the inquiries, that nearly one-half of the Bank Cashiers and Bank Presidents of New York City to-day think that the Bank of England is a Government institution. They discuss its movements as reported by cable with an outward show of wisdom, but some of them never seem to inquire as to the inner workings of an institution which, under our faulty system, has such a controlling influence over our finances.

Now the truth is, when our coins are exported it is not as so much money—for it ceases to be legal tender as soon as it leaves the jurisdiction of our government—but simply as merchandise, being sold by weight as so much old metal, and if it is not soon reshipped to us it is either re-coined or used in the ornamental arts. This balance-of-trade fallacy, which has taken such deep root in the minds of the people, has no foundation whatever in fact. We cannot better illustrate the conduct of trade between nations than by assuming that each represents a country store of former times—say thirty to fifty years ago—when the trade done was barter, pure and simple. Then the farmers and manufacturers sold their commodities to the merchant at a price in dollars, with the understanding that in return they could have anything desired from the merchant's stock at the market price, and "the balance of trade" was the book account, upon which, ordinarily, to the great relief of the debtor, no interest was charged. As between nations, the largest exporter takes the balance in bonds or in other interest-bearing obligations, instead of leaving it in non-interest bearing book account. But in regard to the payment of those obligations, it is true, as is former times, that they can only be met by the Creditor Nation, accepting out of the store-houses of the debtor such commodities as may by chance be selected according to the needs, real or imaginary, of the former at prices agreed upon. Sometimes, though seldom, the article selected by our creditors is a small amount—is in gold; at other times silver; but generally, and to very large amounts, the demand is for cotton, wheat, pork, and other intrinsically valuable commodities. When an individual is indebted through slothfulness or otherwise slops pawning, it is also soon an imperative necessity to stop buying; mortgages on future production under such circumstances becoming unmarketable.

If the minds of the people were entirely

free from preconceived theories upon this subject of currency, it would not be difficult to implant the truth, but as the case stands depressed error must be first uprooted. After discussing the feasibility of making National Paper money much nearer perfect measures of value than gold, silver or other merchandises ever have been or ever can be, by adjusting the volume thereof through its interchangeability at the option of the holder with Government bonds bearing a fixed rate of interest, with our lamented friend Horace Greeley at considerable length, several years ago, he quittedly said:—"I like the idea very much, but you know the heathen philosophers believed that the earth was flat, and that it was supported by a huge serpent whose tail rested upon a turtle which in turn rested upon a rock; and the rock—well, that was so far down that it did not matter what it rested on. 'Now,' he added, 'down somewhere near that imaginary rock, I think you ought to have a little gold.' "In other words," he continued, "if you will say pay interest in gold on these bonds which you propose shall be interchangeable with National Paper Money made a full legal tender—I will endorse the proposition." Subsequently, however—in December 1860—Mr. Greeley and other gentlemen—who represented as owners or officers of incorporated companies, assets amounting in the aggregate to at least two hundred million dollars—at our request signed the following petition:

"To the Hon. GEORGE S. BOUTWELL,
Secretary of the U. S. Treasury:

"In view of the fact that there is no opportunity offered to the public at the present time, for converting the non-interest bearing promises of the Government into its interest bearing obligations, except by purchasing U. S. bonds on the open market at a premium:

"The undersigned respectfully request the Honorable Secretary to submit for the consideration of the present Congress, a plan for the redemption or conversion of the present legal tender notes, by issuing therefor (at the option of the holder) bonds, of the denomination of one thousand dollars and its multiple, to be made payable on demand, in the said legal tender notes, which shall be held for the purpose of such re-conversion; the bonds to bear interest at the rate of three and six-tenths per cent. per annum.

"And also that permission be granted to the National Banks to count said bonds in the reserve required to be kept by law. (Signed),

P. C. CALBOURN,
Pres. Fourth National Bank.
WM. K. KITCHEN,
Pres. Park National Bank.
JOHN L. SMITH,
Pres. St. Nicholas Bank.
FRED. S. WINSTON,
Pres. Mutual Life Insurance Co. of N.Y.

PLINY FREEMAN,
Pres. Globe Life Insurance Co.
MORRIS FRANKLIN,
Pres. N. Y. Life Insurance Co.
A. HALSETT,
Cashier Tradesmen's Bank.
R. BAYLES,
Pres. Market Bank.
W. H. JOHNSON,
Pres. Halfway Bank.
W. R. VERMILYE,
of Vermilye & Co., Bankers.
TURNER BROTHERS,
Bankers.
U. A. MURDOCK,
Pres. Continental Bank.
F. A. GILES,
U. S. Watch Co.
HORACE GIBBEY,
N. Y. Tribune.
SAM'L C. THOMPSON,
Pres. First National Bank.
MARSH THOMSON,
Pres. Mechanics' Banking Association.
R. H. LOWRY,
Pres. Bank of the Republic.
W. A. WHEELLOCK,
Pres. Central National Bank.
A. V. SPOUT,
Pres. Shoe and Leather Bank.
F. A. PALMER,
Pres. Broadway Bank.
J. M. MORRISON,
Pres. Manhattan Banking Co.
JOHN PARKER,
Cashier Phoenix Bank.
F. M. HARRIS,
Pres. Nassau Bank.
S. R. COMSTOCK,
Pres. Citizens' Bank.
H. B. CLAYTON & Co.,
Merchants.
JACKSON S. SCHULTZ,
Merchant.
W. T. BLODGETT,
Merchant.
A. A. A. A.,
Importer.
WM. I. PEAK & Co.,
Merchants.
EDW. B. MEAD,
Treas. Hart Manufacturing Co.
JOHN RADIE,
Pres. U. S. Life Insurance Co.
H. A. BUSH,
Manufacturer.
PETER COOPER,
Pres. Citizens' Association.
WM. J. COX,
Cash. Mechanics' Bank.
BUDGET & CO.,
Importers, &c.
W. M. HALSETT,
Pres. of H. H. Hated, Haines & Co.
DARIUS R. MANGAM,
Pres. National Trust Co.—And others.
We placed this petition in the hands of the Secretary of the Treasury in January, 1870,

and have been anxiously watching the result. For a time, we thought, it did not receive the attention it was entitled to. Finally, however, as we have already intimated, the seed thus sown is taking root, and we see, here and there, a blade of wheat forcing its way through the abundance of tares with which the Secretary's report abounds.

The report of the Comptroller of the Currency, John Jay Knox, indicates a clearer perception of the true condition of affairs. He has evidently been pondering over the request of the eminent New York gentlemen whose names were appended to the petition, which, as we have said, was placed before Mr. Boutwell. Mr. Knox, in his report, submitted at the beginning of the present session of Congress, in the main, very justly criticises the operations of the National Banks, in the following language:

"In times of excessive stringency loans are not made by such associations to business men upon commercial paper, but to dealers in speculative securities upon short time at high rates of interest, and an increase of call loans beyond the proper limit is more likely to afford facilities for unwarrantable stock speculations than relief to legitimate business transactions. The variations in the liabilities requiring reserve in the banks in the City of New York are very great. The banks outside of New York during the dull season send their surplus means to that city, for deposit upon interest, to await the revival of business. The banks in the City of New York, at such periods of the year, have no legitimate outlets for these funds, and are, therefore, threatened with loss. The Stock Board takes advantage of this condition of affairs, speculation is stimulated by the cheapness of money, and a market is found for the idle funds upon doubtful collaterals, and the result is seen in the increased transactions at the clearing house, more during the past year exceeded thirty-two thousand millions of dollars, or an average of more than one hundred millions of dollars daily, not one-half of which was the result of legitimate business, the total amount of transactions being greater than that of the bankers' clearing house of the City of London. The evil arises largely from the payment by the banks of interest on deposits, an old-established custom, which cannot easily be changed by legislation.

[We would say, with emphasis, that government has no right to interfere in such matters.]

Mr. Knox adds: "A considerable portion of these deposits would remain at home, if they could be used at a low rate of interest, and made available at any time upon the return of the season of active business. No sane investment of this kind is, however, open to the country banks, and the universal custom is to send forward the needless dollars from vaults comparatively insecure to their correspondents in the city, where they are exposed to fire, theft, and at the same time earning dividends

for shareholders. A government issue, bearing a low rate of interest, to be counted as a certain proportion of the reserve, and an increase of the amount which the country banks are required to keep on hand, is the proper remedy for such a state of things. Such an issue need not result in inflation, for the currency invested would be in the possession of the Government. If the currency is held in objection is the loss of interest to the Government, but this loss would be no more than a just rebate upon the \$6,000,000 of taxation annually paid by the banks to the Government, at a time when almost every kind of internal taxation has been discontinued. Such a reduction of taxation should not be grudgingly made if the result shall be to give elasticity to the currency, to strengthen and steady the money market, to give additional security to \$100,000,000 belonging to depositors, by retaining in the vaults of the banks a large amount of funds for legitimate business purposes, which would otherwise be thrown upon the Stock board to unsettle values throughout the country, and alternately increase and depress the price of every commodity."

In the last two sentences such absurd ideas are intermingled with others of special merit, that it is difficult to withhold sharp words of criticism. It is exceedingly annoying to have such stupidity manifested by a high officer of the Government. Let us examine the Comptroller's statement, in reference to the Government receiving legal tender notes and issuing therefor bonds payable in the same currency on demand, including interest at a low rate. He says: "The objection is the loss of interest to the Government." This objection we often meet; but what can be more absurd? Loss of interest? What do the gentlemen mean? What does the Comptroller mean? The legal tender notes have made for us the best currency we have ever had, notwithstanding the officers of the Government have broken faith with the people in the management of the new advances, not obeying the spirit and letter of the laws, insufficient as they are. Is it not a fact that these notes were really issued as a forced loan? And were they not used in payment of just obligations? In fact, are they not the most sacred promises to pay the Government has ever issued? Why then this objection? Why consider it a burden to pay a low rate of interest for a brief space on bonds issued in lieu of these notes so long discredited? In accordance with section two of the Legal Tender Act, passed by the House of Representatives February 24th, 1862, and the Senate the following day, and as amended by President Lincoln, legal tender notes were fundable at the option of the holder, in sums of fifty dollars, and its multiple into \$50 bonds at par.

We ought to say here that in the original draft of this bill, as it passed the House, legal tender notes were made a full legal tender, and the two exceptions—the payment of interest

on Government bonds and duties on imports—came, with other amendments, from the Senate, and were bitterly opposed in the House, but these two were finally accepted as a compromise.

On the 20th of February, 1862, when this bill was under discussion in the House, through the courtesy of Hon. Thaddeus Stevens, who was entitled to the floor for an hour in closing the debate, Mr. Hooper, of Massachusetts, was permitted to make a few brief remarks, in which he said: "I am opposed to this amendment of the Senate which requires the interest on Government bonds to be absolutely paid in coin, because its effect will be to depreciate these notes as compared with coin, by declaring them in advance to be depreciated."

Mr. Stevens, in his remarks on the bill, as amended, said:

"I approach the subject with more depression of spirits than I ever before approached any question. I have a melancholy foreboding that we are about to consummate a cunningly devised scheme, which will carry great injury and great loss to all classes of the people throughout this Union except one. With my colleague, I believe that no act of legislation of this Government was ever hailed with as much delight throughout the whole length and breadth of this Union, by every class of people, without any exception, as the bill which we passed, and sent to the Senate. Congratulations from all classes—merchants, traders, manufacturers, mechanics and laborers—poured in upon us from all quarters. The House of Representatives from Boston, New York, Philadelphia, Cincinnati, Louisville, St. Louis, Chicago and Milwaukee, approved the provisions, and urged its passage."

"I have a dispatch from the Chamber of Commerce of Cincinnati, sent to the Secretary of the Treasury, and by him to me, urging the speedy passage of the bill as it passed the House. It is true a *dull sound came up from the caverns of bullion brokers, and from the saloons of the associated banks*. Their cashiers and agents were soon on the ground, and persuaded the Senate, with but little deliberation, to manumit the Treasury what it had cost the House months to digest, consider and pass. They fell upon the bill in hot haste, and so disfigured and deformed it, that its very father would not know it. Instead of being a beneficent and invigorating measure, it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill, and none of its benefits. It *now creates money, and by its very terms declares it a depreciated currency. It makes two classes of money—one for the banks and brokers, and another for the people*. It discriminates between the rights of different classes of creditors, allowing the rich capitalist to demand gold, and compelling the ordinary lender of money on individual security to receive notes which the Government had purposely discredited."

"I have proposed an amendment to the Senate amendment upon the principal of legitimate parliamentary rules, that you may make as palatable as you can an amendment which you do not like, before the vote is taken upon it. My amendment is offered for the purpose of curing a little evil on the part of the original amendment of the Senate. And though it may be adopted, I shall vote against the whole bill. My amendment is to except from the operation of the legal tender clause the officers and soldiers of the army and navy, and those who supply them with provisions, and thus put them on the same footing with the Government creditors who hold their bonds. I hope they will not be thought less meritorious than the money changers. I trust it will be adopted as an amendment to the Senate amendment, so that if this pernicious system is to be adopted, if the beauty of the original bill is to be entirely impaired, those who are fighting our battles, and the widows and children of those who are lying in their graves in every part of the country, killed in defense of the Government, may be placed upon no worse footing than those who hold the bonds of the Government and the coin of the country."

So we see that just at the moment when Congress had got the threat of finance into a well prepared skin, easy to manage, the pretended friends of the Government—the gold worshippers of Boston, New York and Philadelphia—came upon the scene in great fright, crying, hold! The Senate heard the call, and allowed the bullionists to so tangle the skein by the jerking of a single thread that to this day the complications to which it led have not been overcome, and their effects will not be forgotten. It was a very unfortunate turn of affairs more than a thousand million dollars were added to the national debt, and beside this, the encouragement it gave to the South probably prolonged the war many months. Under this provision to which we have referred—allowing the funding of legal tender notes into 5-20 bonds at the option of the holders,—everything was working fairly, when at the request of the bankers, endorsed by Secretary Chase, and passed by the House, approved, March 3, 1863, taking away the privilege of exchanging legal tender notes for 5-20 bonds at par after July 1, 1863. Immediately upon the heels of this, at the request of these philanthropic (?) money changers, the National Bank act was passed. Does any one doubt that all this was done solely for the benefit of the noble "Boys in Blue" and their suffering families? Why, would you believe it these kind-hearted bankers, who always work with a single eye for the public good, paid from January 1st, 1864, to January 1, 1872, by way of taxes—so Comptroller Knox has recently informed us—more than \$40,000,000. Including interest from time of payment at only 10 per cent., it must now amount to about \$60,000,000 in currency, and sad to relate, these kind-hearted gentlemen have only

received from the Government by way of interest on the bonds pledged—but which ought to have been cancelled in order securing the \$300,000,000 National Bank circulation only \$18,000,000 in gold per year for these eight years, making a total in currency including interest on reinvestments up to January last a sum probably a trifle less than \$250,000,000, in lieu of the \$500,000,000 paid. It is very too bad, for with all the other drawbacks, such as losses upon loans made to fathers, brothers, cousins and intimate acquaintances, always a burden, these worthy bankers, far and near, only managed—after gold fell off in price—to declare dividends on their capital, after paying meagre salaries to the officers and adding a little to the surplus, as follows:

In 1869.....eleven per cent.

" 1870.....ten "

" 1871.....ten "

" 1872.....ten "

Just think what a debt of gratitude we owe these bankers! To be sure they have been occasionally compelled to act like some horses we have seen that could not make it convenient to move on, even when urgent business required, but they have nobly made amends for this in going so rapidly at other times, that the hair-breath escapes of the common people who do not know any better than to go on foot, are almost miraculous. (Can any sane man doubt the propriety of continuing these institutions to the end of time? For it is a positive fact that they have done much less harm in these eight years, than a like number of the old wild-cat banks would have done in half that time.)

In July, 1869, while the Secretary of the Treasury was purchasing five-twenty bonds due or not, at the option of the Government, and paying one hundred and twenty dollars and upwards, for each one hundred dollars of value of the bonds purchased—a premium of more than twenty per cent.—we went to the Sub-Treasury in New-York with one hundred dollar legal tender note of the original issue of 1862, on the face of which was printed: "The Government of the United States promise to pay to the bearer on demand one hundred dollars, &c., &c." On the back of it was the following: "This note is a legal tender for all debts, public and private, and is exchangeable for United States six per cent. twenty year bonds, redeemable at the pleasure of the United States after five years."

We went into the private offices of General Butterfield, the then assistant Treasurer, and said: "General, will you be so kind as to pay this note to-day?" He looked at us, hesitated a little, and then said: "What do you want?" We said to him, "You ought to know all about that. We read on the face of the note a promise to pay one hundred dollars to the bearer at the Sub-Treasury in New-York." We then went on to say: "We observe you have

plenty of money; so much that you are paying one hundred and twenty dollars and upwards, for a hundred, in five-twenty bonds, which the Government is under no obligation to pay for the next thirty years; we therefore leave you to say what we shall have." After a little pause we added: "If you have two kinds of money, we want the best. We make no complaint that we have received no interest on the last seven years, as we have made no demand for payment until now. Let us remind you, however, that the holders of five-twenty bonds have been receiving six per cent. annually in gold for seven years, and if that gold was sold at the current premium from time to time, it would now (July, 1869) amount to nearly ninety-five dollars on the hundred,—adding interest accumulated on the re-investments—but meanwhile our poor legal tender note has not received a cent from the Government, by way of interest. Now let us say that the Government ought to do, all the circumstances being considered, is to give us such money as will be acceptable at the Custom-house in payment of duties."

Assistant Treasurer Butterfield was apparently very much puzzled, and finally turned the matter over to a subordinate, who said he could not do anything more than give us smaller notes of the same sort. We obtained no satisfaction, as we expected at the outset. We took the trouble to make the demand, and subsequently had the note protested for non-payment, for the purpose simply of bringing out in bold relief the *great mistake* the Government was making; but then the existing policy has not been materially changed to this day. We did not care to obtain payment in gold for the note, but we did want some recognition of our rights. We didn't even earnestly claim a five-twenty bond, hearing interest at six per cent., according to the promise printed on the face of the \$100 note, but we did most heartily believe that legal tender notes should be exchangeable, at the option of the holder, for a bond, payable on demand, in the same currency, with interest at the rate of, say three and sixty-five hundredths per cent. per annum, and that they should be received for duties; and such acknowledgment, even then, would have been tardy justice.

But what do the laws—that were then and are now—on the statute books, purport, say? In Section One of the Legal Tender Act it is declared that Legal Tender notes "shall be receivable in payment of all loans made to the United States, and of all taxes, internal duties, excises, debts, and demands, of every kind, due to the United States, except duties on imports and interest, and of all claims and demands against the United States, except for interest upon bonds, notes and certificates for debt or deposit, and shall also be lawful money and a legal tender in payment of ALL DEBTS, PUBLIC AND PRIVATE, within the United States, except duties on imports and interest, as aforesaid."

An Act which was passed by the House of Representatives March 12, and the Senate

March 15, 1869, after stating that the Legal Tender Notes and certain bonds shall be paid in coin, further and expressly declares that: "None of said interest bearing obligations not already due shall be paid or redeemed before maturity, unless at such time the United States notes shall be convertible into coin at the option of the holder, or unless, at such time, bonds of the United States bearing a moderate rate of interest than the bonds to be redeemed can be sold at par in coin; and the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of United States notes in coin."

Are we not correct in saying that this Act of March, 1869—the first bill that General Grant designed as President—plainly declares, in substance, that five-twenty bonds shall not be paid before maturity, except in legal tender notes, or their equivalent? Then, by what authority of law has Secretary Boutwell been purchasing these bonds at a premium, while no provision whatever for the past-due, protested legal tender note has been made?

If a man of business were to purchase his obligations, which had ten or twelve years to run, at a premium however small, giving in payment for the same his own notes payable on demand, how long, think you, would his creditors allow him his freedom? Would they not apply to the courts for the appointment of a guardian, pleading that he had become a lunatic and was wasting his property? Or, if the creditors felt secure, would not the relatives most interested be warranted in making such application for the protection of all concerned? That such would be the natural result none can doubt. What then shall we say of our finance minister, who has been pursuing a similar course for the past three or four years? Mr. Boutwell has had the very best possible opportunity of inscribing his name high in the temple of fame; but what a sad failure he has made. Mr. Boutwell's main difficulty has arisen from the fact that in making his survey of the financial situation, he has taken gold for the land-mark. A civil engineer, in indicating the boundaries of a tract of land in accordance with a deed duly authenticated and recorded, might as well take a floating ship as the place of beginning. Perhaps we ought not to criticize Mr. Boutwell too severely, as he has, no doubt, been misled by others; as many men, including merchants, bankers, Congressmen, and even editors, have been following their busy brains in the endeavor to search out a navigable channel through the Arctic regions of specie-payment resumption. The labor expended the last six or seven years in this worse than useless effort, including the examination into the probabilities and amounts of shipments and re-shipments of gold, which ought to concern no one besides the miners and the metal or old junk dealers, would have rebuilt the districts around Boston, which were devastated by the two memorable configurations of 1827-28, and filled the ware-

houses with a vastly larger stock of valuable goods than was consumed.

No man can candidly examine this subject without coming to the conclusion that gold is an article of merchandise which has been greatly overrated, and also that its value never has been and never can be made uniform. Let Congress assume the most unwarranted dictatorial and arbitrary authority, it will still lack the power to "fix the value of the dollar." The Constitution requires it shall do with money. Congress once attempted to govern the price of gold. The gold bill which was approved June 17, 1864, was intended to prevent speculative sales of this metal, but it only seemed to aggravate the trouble, and Congress becoming frightened, repeated the bill, July 2nd; or, only 15 days after it became a law.

In Wall street parlance, gold can be "cornered" much more readily than stocks, bonds, wheat, corn, pork, cotton, or other articles of which gambling sales for future delivery are made. Of this fact we have abundant and costly evidence; and it will be again proved, and that to our sorrow, if gold should unfortunately be re-enthroned as the only legal tender of the country. We unhesitatingly predict, however, that such a disaster will not be allowed to fall upon the nation. Our civilization is too far advanced to admit of such folly.

But admitting, a moment, for the sake of argument, that such a disaster as the resumption of specie payments, according to the desires of some, is in store for us, what can we hope for in the future? To illustrate what *might* happen, let us suppose that Mr. A. and Mr. B. invite nine of the wealthiest men of New York to dine with him, and after they had met and discussed the question of his hospitality, he should say to them:—"I have a grand scheme to submit for your consideration. It is of a confidential nature, and I claim from you all that it shall be kept by each as an inviolable secret, whether you concur and co-operate with me or not."

After receiving positive assurance that it will be so regarded and faithfully maintained, Mr. A. unfolds his views to the wealthy guests something after this fashion:—"I have been carefully considering the matter, and find that I can control in my own right forty million dollars; and I have canvassed your individual resources, and find that you have millions for B, twelve millions for C, twenty millions for D, etc., etc., in all aggregating the sum of five hundred million dollars, as the amount which we ten men can control." This being admitted, he then adds:—"My scheme is based upon the estimate of our combined wealth, just submitted, in the correctness of which you have concurred. It is a fact that the great majority of the people throughout the country are blinded to their own interests, and are determined to continue, as in former times, the use of gold as the basis of the currency of the country, notwithstanding that it always has

and must continue to work great harm when used too well, especially to the middle and lower classes. It will, however, work great profit to us, if we manage properly."

"After encouraging and strengthening this hallucination"—he continues—"in regard to the resumption of specie payments, by the use of the press, in reporting certain movements which we may make, for the special purpose of hiding our real views and operations from the public, I propose that each one of us proceed *quietly* to sell all our real estate and other property at the present high prices, and purchase Government securities, and also make deposits, judiciously distributed with the various banks, in the trust companies, and when unobserved, occasionally take—and permanently hold—large amounts of certificates of gold deposited with the Government. The effect this would have on the people, and the arguments that would be deduced from the hoarding of such Government issues, would materially hasten resumption. I desire that we all meet secretly, as often as once in thirty days, in order that each of us may report progress, and decide as to minor operations, and consult as to the safety of our deposits. I have come to the conclusion that we can probably convert all our property into demand obligations, as early as the summer of 1874; and if we act judiciously, we can give so much assistance in the matter that specie payments shall have been by that time resumed, and our wealth shall also be, at the same time, subject to immediate demand in gold from the various institutions of this and adjacent cities, including the U. S. Treasury. Then will the time have arrived for us to reap the unprecedented harvests of wealth. As we will not commence to move until Congress shall have adjourned, it will be impossible of promptly affording any financial relief whatever. I should propose that each of us, at this juncture, withdraw, in as quiet a manner as possible, say ten per cent. on each and all of our deposits in banks and with bankers every ten days, leaving the balance of our deposits with the Government as the last turn of the screw. Then, with our money in hand and panic prices prevailing, we could purchase nearly one-fourth of the continent."

He concludes by saying:—"This is a brief outline of the picture; I leave the filling up to you to finish; I am not equal to the task. The panics of 1837 and 1857, when compared with the one we should thus create, would be as tiny brooks compared with the majestic Hudson. The 'field' would be ours, and we could help ourselves to the spoils without hindrance. What say you, gentlemen, to this proposition? will you co-operate with me? If you will, greater wealth than that of Croesus shall be ours."

We have been quietly endeavoring to ascertain for what uses, if any, gold is specially needed. Thus far, no one has asked has been able to suggest anything important out-

side of the ornamental arts (excepting, perhaps, when used as an apothecary's tincture for the cure of something like scrofulous diseases, and then, because of its poisonous character, it is only prescribed as a *deservier resorci*). And there is little doubt, that even for ornamentation gold would soon be superseded by some other metal, if the relative market values were reversed. Certain it is, that while the intrinsic value of gold is found upon examination to be very small, it requires but little space for storage. Chevalier, in 1848, estimated the entire amount of gold known to the world, in bullion and ornaments, at \$3,000,000,000. Estimates at the present time made by the best authorities, put it: at about the same figure, not including Asia. A cubic foot of pure gold weighs 17,504 ounces (Troy), and it is said to be worth about \$360,000 at our coin standard. Therefore, 8,333 cubic feet is the total amount of gold, upon which so much dependence is placed by the gold worshippers for furnishing a currency to facilitate the operations of commerce. It would only make a solid block 30 feet long and 30 wide by 9 1/2 feet deep. All the gold coin and ornaments in the United States to-day, if melted down, would not make a solid cube of 15 feet. The "imaginary Golden Cal" worshipped by such specie-payment-advocates as are desirous to see an accumulation of coin to the amount of, say \$250,000,000 in the United States Treasury, would not make a solid cubic block of nine feet. This latter amount of gold would be barely sufficient to make a pedestal such as that of the Equestrian statue of Washington, on Union Square.

The distress caused by the toppling over of the pyramid of credit, placed on its apex—of gold—which occurred in 1857, and numerous other financial catastrophes which preceded it in this country and Europe arising from the same cause, ought to have convinced all business men of the extreme folly of relying upon a gold basis, so often proved fallacious.

It is a moderate estimate to say that at least 5,000,000 men, women and children in the United States, who say nothing of Europe—the countries—were kept out of employment for a twelvemonth, as the result of the panic of 1857; and that the average wages for say three hundred days in a year, would reach, including board, one dollar per day. This would give us the enormous sum of \$1,800,000,000, the loss sustained in the brief space of one year, through unemployed labor, caused by the panic.

And where are the mathematicians and political economists who have the ability to demonstrate the effect of this loss upon the progress of the nation? As an illustration of our meaning, let us suppose that a young man is employed as a clerk at a salary of \$10 per week the last year out of which he must pay for his board \$3 per week, and with the remaining \$7 is just able, by pinching economy, to purchase a new suit of clothes, leaving nothing over at the end of the year. The

"Every Winter, money is a drug at the financial centre, and every Spring it becomes so scarce as to cause much inconvenience; in the Summer it again accumulates to the extent of superabundance, and in the late Fall the supply is inadequate; the wants of the interior can be only partially supplied, and that at the expense of panic in Wall-street. During the

tions.—First; "The removal or the amelioration of restrictions upon the reserves of the national banks." We may pass that as unimportant; and leaving the second for the moment, take up the third: "Effective arrangements for insur-

Is it not the net rent, after paying insurance etc., of a house, a store, or other real or personal property, if that rent is made permanent which determines the value of such property

One dollar, 100 years, at 1 per cent..	\$234
do do 3 do ..	13
do do 6 do ..	340½
do do 8 do ..	2,203
do do 9 do ..	5,543
do do 10 do ..	13,809
do do 12 do ..	84,675
do do 15 do ..	1,174,405
do do 18 do ..	15,145,007
do do 24 do ..	2,551,799,404

There are probably few, however familiar with the subject of the rapid increase of capital put out at interest, who would not be startled at the fact that Christopher Columbus, in his first voyage of discovery, put at interest at six per cent, by this time, the money value of his voyage, together with the accumulations from the industry of all who have since sailed, at the rate of six per cent, the amount, estimating the entire outfit at \$100,000, would be \$1,000,000,000, or one billion dollars, and remembering that money doubles, at six per cent., in a little less than ten months, and that it would take but ten months, and twenty-one days. Allowing it to double every two years, this five thousand dollars, put at interest at six per cent, in 1492, it would, found, would have amounted to \$71,895,700,000, which, estimating the population of the United States at 100,000,000 (North and South) to be eighty-five millions, or seventeen million families (averaging five persons to a family), would be \$1,000,000,000, or one billion dollars as the possession of every one of these families.

The interest upon a million dollars at six per cent, would be \$60,000, and if this interest were to be the principal annual income of each of these families, it would be the equivalent, from the accumulations up to this time, upon the money

sum as that named for the outfit of the discoverer.

In Hildreth's "History of the United States," it is stated that Manhattan Island—afterward called New Amsterdam, now the City of New York—was bought by the Dutch from the Indians for sixty guilders, or *twenty-four dollars*, (\$24) and this only about two hundred and fifty years ago. And yet, if the purchasers could have securely placed that \$24 where it would have added to the principal annually interest at the rate of 7 per cent., the accumulation would exceed the present market value of all the real estate of the city and county of New York.

Again, if a man at the age of twenty-five should commence business with a capital of one hundred thousand dollars, and could by any possibility add thereto interest at our legal rate of 7 per cent. annually, the result would be (in round numbers) as follows:

Age.	Capital.
25.....	\$100,000
30.....	200,000
40.....	400,000
50.....	800,000
60.....	1,600,000
70.....	3,200,000
80.....	6,400,000

Now, the growth of National Wealth is only about 3½ cent. per annum, notwithstanding the assertion of those who have placed it much higher, through comparing the old valuations with the new (which have been greatly increased), instead of taking as the basis of their calculation, as they should have done, the actual number of horses, cattle, hogs, sheep, &c., &c., at the different periods. It is plain, therefore, that the great mistake most men make is in attempting to use borrowed capital at an immensely high rent, or,

dinarily termed interest, which, by the use of gold as currency, is often forced still higher. While the growth of the national wealth remains at the present rate, the average man who attempts to pay even 7 per cent. for all the capital he can get, should not expect to avoid bankruptcy as the result.

With the knowledge that the primary origin of wealth lies in the earth, in connection with air and sunlight, many persons erroneously conclude that our agricultural and mining industries are more important than all others combined in promoting the welfare of mankind. While it is true that they constitute the substratum upon which we must build, it is also true that without commerce, in its broadest sense, we should possess but a very small portion of the blessings we now enjoy. When we analyze the subject, we are surprised at the discoveries made. We ascertain that more than three-fourths of the so-called capital of the country, and a large share of the labor, are employed in commercial pursuits. And upon these farmers and miners, as well as artisans, depend for needful supplies of implements to facilitate their labors, and for the exchange of their products for other commodities needed to enable them to live with any degree of comfort. Without commerce, ships, steamboats, railways, telegraphs would never have been built, nor agricultural implements and aids (except of the very rudest sort), ever have been made; in fact, the rude methods practiced by savages to obtain a livelihood would still prevail. Let the wide-awake, go-ahead American have a fair chance; give him not an over-abundant, but a *full* supply of currency, so that the rate of interest shall be brought down to a level with other countries, and the glories of our past, as compared with our future, would pale like the moon before a full-orbed sun.

In the interchangeability (at the option of the holder) of National Paper Money with Government Bonds bearing a fixed rate of interest, there is a subtle principle that will regulate the movements of Commerce and Commerce as accurately as the motion of the Steam Engine is regulated by its "Governor". Such Paper Money Schemes could be perfect measures of value, which gold and silver have been. The use of gold or other merchandising as Money is a barbarism unworthy of the Age.—Wallace Brown

THE NEW YORK Mercantile Journal

Is Published Weekly by
THE NEW YORK MERCANTILE JOURNAL CO.,

At No. 350 PEARL STREET, (Franklin Square),

NEW YORK CITY.

It contains the most extensive and accurate Price Lists ever issued in the United States. In Politics it is strictly neutral, but independent in its criticism upon all matters affecting the Commercial and Financial interests of the Nation.

Prices are corrected weekly up to the time of publication, making The JOURNAL almost indispensable to all dealers in Stocks—Government Bonds—Dry Goods—Drugs—Chemicals—Paints and Oils—Groceries—Fish and Salt—Country Produce—Hardware—Iron and Steel—Tin, Metals, &c.—Furs and Skins—Wools—Domestic and Foreign Fruits and Nuts—Hides and Leather, &c., &c., &c.

Among the many Press notices with which THE NEW YORK MERCANTILE JOURNAL has been favored, are the following:

THE NEW YORK MERCANTILE JOURNAL is now one of the largest weeklies in the world, well filled with tabular and other exhibits of the Produce, Merchandise, and Money Markets, which are further elucidated by judicious and temperate editorials. * * * The Journal is a good paper, * * * and deserves the prosperity it has achieved.—N. Y. Tribune.

THE NEW YORK MERCANTILE JOURNAL.—This paper has, by judicious management, come to be the recognized authority of prices for nearly every article sold. * * * The Journal has attained a large circulation among merchants, and deserves their patronage.—New Orleans Bee.

TERMS OF SUBSCRIPTION.

ONE COPY, ONE YEAR.....	\$5 00
TO A CLUB OF FIVE (including an extra copy FREE to the person getting up the Club).....	25 00
Canada and British Provinces *	5 20
England, Ireland and Scotland*	6 04
Germany, Switzerland, &c.*	7 08
China, Japan and the East Indies*	6 04

* Including foreign postage, which must be prepaid.

All orders, remittances, and communications must be addressed

THE N. Y. MERCANTILE JOURNAL CO.,
No. 350 PEARL STREET,

P. O. Box 1919.

NEW YORK CITY.

THE NEW YORK MERCANTILE JOURNAL CO.

ARE ALSO PUBLISHERS OF

The Dry Goods Journal,	- -	at 2.50 Per Year.
The Hardware Price-Current,	- -	2.50 "
The Druggists' Journal,	- -	2.50 "
The Grocers' Price-Current,	- -	2.50 "



THE N. Y. MERCANTILE JOURNAL CO.

PUBLISH

The N. Y. Mercantile Journal,	\$5.00	a Year.
The Dry Goods Journal,	-	2.50 "
The Grocers' Price-Current,	2.50	"
The Hardware Price-Current,	2.50	"
The Druggists' Journal,	-	2.50 "

350 PEARL STREET,

P. O. Box 1919.

NEW YORK CITY.

10/11 29903

**END OF
TITLE**